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TAGS: [PREL](#) [PGOV](#) [PINR](#) [IS](#) [KPAL](#) [KWBG](#) [IR](#) [LE](#) [EG](#) [JO](#)  
SUBJECT: FM LIVNI DISCUSSES GAZA, A TWO-STATE SOLUTION,  
IRAN, AND LEBANON WITH CODEL LEAHY

Classified By: Ambassador Richard H. Jones for Reason 1.4 (B/D)

11. (C) Summary: In a meeting with CODEL Leahy May 29, FM Livni described the situation in Gaza and southern Israel as intolerable and emphasized the importance of stopping arms smuggling from Egypt. She told the CODEL that Egypt was cooperating, but needed to do more to prevent smuggling through tunnels. Action against smuggling and improving the security situation in Gaza would affect the GOI's ability to compromise on extending the "ceasefire" to the West Bank since the public's views and those of the leadership were influenced by the situation in Gaza. Livni argued that stagnation on the peace process was not due to GOI policy and that any process had to be based on the "true pillars" of a two-state solution and the Quartet principles. She added that the Palestinian National Unity Government blurs the distinctions between Fatah and Hamas and said that the outbreak of intra-Palestinian fighting had predictably led once again to increased attacks on Israel. Livni told the delegation that the GOI was keeping channels to President Abbas open, and the next meeting between Olmert and Abbas had been scheduled for June 7, although final status issues were not on the table. On regional issues, Livni expressed satisfaction with her recent meetings in Cairo on the Arab Peace Initiative, said regional understanding of the Iranian threat had increased and also indicated that she hoped for a second UNSCR resolution on the Lebanese arms embargo. End Summary.

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NOT OPTIMISTIC ABOUT PROGRESS TOWARD A TWO-STATE SOLUTION  
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12. (C) Livni told the CODEL it was the GOI's goal to keep Israel a Jewish and democratic state and that the GOI therefore wanted to compromise on land to create two states. Livni explained that the idea of a Palestinian state was to give Palestinians a national homeland, just as Israel was a homeland for the Jewish people. She complained that Palestinians still demand the "right of return" to Israel without understanding that it would make a two-state solution impossible. Livni told the CODEL that Israeli settlers live on less than 8% of the West Bank and argued that the Israeli people would support an equitable solution to the conflict if the GOI could negotiate one.

13. (C) In response to a question from Senator Salazar (D-CO) about the urgency of finding a resolution to the Israeli-Palestinian conflict, Livni replied that the GOI saw a need to end the conflict as soon as possible, but questioned whether that would be possible. Livni said Israel was willing to take risks and was working with moderate Arabs. However, she argued that the Arab Peace Initiative's conditions did not help the Palestinians or encourage them to compromise. Livni said it would be helpful if the U.S. and

the international community, especially the Europeans, could help the Palestinians focus on a feasible outcome, adding that she was not sure they could bridge the gaps now. As a result, Israel's current focus is on dialogue with Abbas on issues other than final status. Livni told the CODEL that addressing serious issues too soon could lead to a breakdown in talks.

14. (C) In response to a question from Senator Cochran (R-MS) about steps to achieve peace and the U.S. role, Livni told the CODEL not to believe the Israeli-Palestinian conflict was the cause of turmoil in the region. Rather, it was the result of an increase in extremist ideology. She said the more pragmatic leaders recognized the situation was not a zero-sum game, but one in which both the Arab and Israeli sides could benefit. Livni added that Israel needs to know where the U.S. stands on regional threats.

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LIVNI'S MEETING WITH EGYPTIAN AND JORDANIANS FMS  
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15. (C) In response to a question from Senator Hagel (R-NE) regarding follow-up to the May 10 Arab League meeting and Israel's ability to reach a negotiated solution, Livni said that she met with the Egyptian and Jordanian foreign ministers in Cairo as Arab League representatives and explained how their initiative could hurt moderates by making it politically more difficult for them to compromise in negotiations with Israel. The two foreign ministers agreed not to dictate the outcome of the initiative or to replace the Palestinians as a negotiating partner and said they would accept and support whatever the Palestinians decide. Livni said she also asked the Egyptian and Jordanian foreign

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ministers to provide the GOI with a "political horizon" by making gestures to it even before a deal was struck with the Palestinians and suggested that the U.S. might be able to help in this area.

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NEW REGIONAL UNDERSTANDING OF IRANIAN THREAT  
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16. (C) Livni told the CODEL that the Gulf States could not afford a nuclear Iran and said there was a new understanding in the region that the Iranian threat is an "existential" one and has become more significant than the Israeli-Palestinian conflict. There was a risk of the Israeli-Palestinian conflict becoming religious in nature, but there was also an increased possibility of working together. She argued that just as Hizballah does not act in Lebanon's interests, Hamas does not act in the Palestinians' interests. Hesitation by the international community on Iran could lead to a domino effect among the Gulf States in appeasing Iran regarding its nuclear program or in seeking nuclear weapons of their own.

17. (C) In response to a question from Senator Leahy (D-VT) regarding Ambassador Crocker's meeting with the Iranians, Livni emphasized the importance of perceptions and said that the USG should continue to propagate the message that the meeting served U.S. interests. This would help to prevent contact with Iran from being viewed as weakness.

18. (C) In response to a question from Senator Cardin (D-MD) on how to stop arms smuggling in Lebanon, Livni replied that a second UNSCR is necessary, but Lebanese PM Siniora is too weak to ask for one.

19. (U) CODEL Leahy has cleared this message.

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